

FILED

IN THE UNITED STATES DISTRICT COURT FOR THE
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

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UNITED STATES OF AMERICA,

Plaintiff,

v.

GERLINE ERILUS; ST. FONIE ERILUS;
GERLINE ERILUS, LLC; ELITE
MULTI-SERVICES SOLUTIONS, LLC;
ST. FONIE ERILUS, LLC; and THE
DIVERSIFIED FINANCE SOLUTIONS, LLC,

Defendants.

Civil No.

6:17-cv-2061-Orl-41DCI

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

The United States of America, for its complaint against Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, alleges the following:

1. This is a civil action brought by the United States under 26 U.S.C. §§ 7402, 7407, and 7408 to enjoin Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, and anyone in active concert or participation with them, from:

- a. acting as federal tax return preparers or requesting, assisting in, or directing the preparation or filing of federal tax returns, amended returns, or other related documents or forms for any person or entity other than themselves;
- b. preparing or assisting in preparing federal tax returns that they know or reasonably should know would result in an understatement of tax liability or the overstatement of federal tax refund(s) as penalized by 26 U.S.C. § 6694;
- c. owning, operating, managing, working in, investing in, providing capital or loans to, receiving fees or remuneration from, controlling,

licensing, consulting with, or franchising a tax return preparation business;

- d. training, instructing, teaching, and creating or providing cheat sheets, memoranda, directions, instructions, or manuals, pertaining to the preparation of federal tax returns;
- e. maintaining, assigning, holding, using, or obtaining a Preparer Tax Identification Number (PTIN) or an Electronic Filing Identification Number (EFIN);
- f. engaging in any other activity subject to penalty under 26 U.S.C. §§ 6694, 6695, 6701, or any other penalty provision in the Internal Revenue Code; and
- g. engaging in any conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

This action also seeks, under 26 U.S.C. § 7402, an order requiring Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC to disgorge to the United States the gross receipts that Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC received (in the form of tax preparation fees) for the preparation of federal tax returns.

Authorization

2. This action has been requested and authorized by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General of the United States, pursuant to 26 U.S.C. §§ 7402, 7407, and 7408.

Jurisdiction and Venue

3. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. § 7402(a).

4. Venue is proper in this Court under 28 U.S.C. § 1391(b)(1) because Gerline Erilus and St. Fonie Erilus reside in this judicial district and a substantial part of the activities giving rise to this suit occurred in this judicial district.

Defendants

5. Gerline Erilus resides in Orlando, Florida. Gerline Erilus has been preparing tax returns for compensation since at least 2012. Gerline Erilus began working at LBS Tax Services as a tax return preparer in 2011.

6. On or about August 12, 2011, Gerline Erilus incorporated Gerline Erilus, LLC in Florida. Gerline Erilus is the sole member of Gerline Erilus, LLC, and serves as the registered agent.

7. Beginning in May 2013, Gerline Erilus, through Gerline Erilus, LLC, began operating a tax preparation business doing business under the name New Millennium Solutions.

8. On February 10, 2016, Gerline Erilus incorporated Elite Multi-Services Solutions, LLC with the Florida Secretary of State. Gerline Erilus is the sole member or manager and the registered agent. Tax returns that Gerline Erilus prepared in 2017 identify the paid preparer's firm as "Elite Multiservices."

9. St. Fonie Erilus resides in Apopka, Florida. St. Fonie Erilus has been preparing tax returns for compensation since at least 2012.

10. On or about March 9, 2012, St. Fonie Erilus incorporated St. Fonie Erilus, LLC in Florida. St. Fonie Erilus is the sole member of St. Fonie Erilus, LLC, and serves as the registered agent.

11. On or about January 12, 2016, St. Fonie Erilus incorporated The Diversified Finance Solutions, LLC in Florida. St. Fonie Erilus is the sole member of The Diversified Finance Solutions, LLC, and serves as the registered agent.

12. Through St. Fonie Erilus, LLC and The Diversified Finance Solutions, LLC, St. Fonie Erilus operates tax return preparation stores doing business under the name Diversified Solutions.

13. Gerline and St. Fonie Erilus are sisters.

14. Gerline and St. Fonie Erilus prepare tax returns for compensation. In addition to personally preparing tax returns for compensation, Gerline Erilus, as the sole owner of Gerline Erilus, LLC and Elite Multi-Services Solutions, LLC, and St. Fonie Erilus, as the sole owner of St. Fonie Erilus, LLC and The Diversified Finance Solutions, LLC, employ individuals directly or through these entities who prepare tax returns for compensation.

Background

15. LBS Tax Services (“LBS”) began in 2008 as a tax return preparation business in Orlando, Florida operated by Walner Gachette. Gachette is the brother of Gerline and St. Fonie Erilus. In 2011, Gachette began franchising the LBS name through Loan Buy Sell, Inc., a corporation organized in the State of Florida, to his employees in order to broaden his revenue base. In 2016, the United States District Court for the Middle District of Florida enjoined Gachette from preparing federal tax returns and owning, operating, and franchising a tax preparation business. *See United States v. Walner Gachette*, 6:14-cv-1539 (M.D. Fla.).

16. Gerline Erilus began working at LBS as a tax return preparer in December 2011. St. Fonie Erilus began working at LBS as a tax return preparer in December 2011. Gerline and

St. Fonie Erilus are the sisters of Herve Erilus, who also owns and operates a tax preparation business.

17. Beginning in 2012, Gerline Erilus managed two LBS stores. Gerline Erilus continued to work for LBS until May 2013, when LBS stores began to re-brand under new names. In 2013, Gerline Erilus became a “General Sales Manager” for LBS, which involved overseeing more LBS tax preparation stores, in addition to the stores that she directly managed. Gerline Erilus oversaw multiple LBS stores in Tampa, Kissimmee, Maitland, Orlando (3 stores), and West Palm Beach (2 stores), Florida, and Atlanta, Georgia.

18. In 2013, Gerline began to own and operate her own tax preparation business through Gerline Erilus, LLC, under the business names Gerline Erilus, LLC and New Millennium Solutions. In 2016, Gerline Erilus managed a tax preparation store called Simplified Financial Services in Orlando, Florida. In 2017, Gerline Erilus, through her business Elite Multi-Services, LLC, owned and operated a tax preparation store located at 5338 Regal Oak Circle, Orlando, Florida 32810.

19. When managing LBS stores, and when owning and operating her own stores, Gerline Erilus prepared tax returns for customers and oversaw employees who prepared tax returns.

20. St. Fonie Erilus began working at an LBS store owned by LBS franchisee Kerny Pierre-Louis. This Court entered a permanent injunction and order of disgorgement against Pierre-Louis on June 9, 2016. *See United States v. Pierre-Louis*, 6:14-cv-1536 (M.D. Fla.).

21. St. Fonie Erilus, through St. Fonie Erilus, LLC and The Diversified Finance Solutions, LLC, owned and operated tax preparation stores in Tampa, Clearwater, and West Palm Beach, Florida. The Clearwater store closed following the 2014 filing season.

22. In 2017, St. Fonie Erilus, St. Fonie Erilus, LLC and The Diversified Finance Solutions, LLC, owned and operated a tax preparation store operating under the name Diversified Solutions at 1936 W. Dr. Martin Luther King Jr. Blvd., Tampa, Florida 33607.

23. Although Gerline and St. Fonie Erilus claim that their tax preparation business are separate and distinct from each other, their businesses are actually interrelated.

24. For example, Gerline Erilus purchased the tax preparation software for a store that was purportedly owned and operated by St. Fonie Erilus in Clearwater, Florida in 2013. According to Gerline Erilus, she purchased the tax preparation software for 7 stores to prepare tax returns in 2014. Two of these stores, in Clearwater and Tampa, were purportedly owned and operated by St. Fonie Erilus. Even though Gerline Erilus claims that she is not affiliated with these stores, some of the tax returns prepared at these stores report the paid preparer's firm name as New Millennium Solutions, which is Gerline Erilus' business. Other tax returns, prepared at a store in Tampa that is purportedly owned and operated by St. Fonie Erilus, report the paid preparer's firm name as "Gerline Erilus, LLC" and identify St. Fonie Erilus as the paid preparer.

25. According to St. Fonie Erilus, she was unable to obtain from the IRS an Electronic Filing Identification Number ("EFIN"), which is required to electronically file tax returns, for her store in Tampa. Thus, Gerline Erilus obtained the EFIN in her name, which is why Gerline Erilus' business name appears on tax returns prepared at that store.

26. Employees working at tax preparation stores in Orlando and Pompano Beach, Florida in 2014, stores that were purportedly owned and operated by Gerline Erilus, were issued Forms W-2 in 2015 showing that St. Fonie Erilus, not Gerline Erilus, was their employer in 2014. According to St. Fonie Erilus, she issued Forms W-2 to Gerline Erilus' employees because Gerline Erilus was unable to obtain a business bank account. St. Fonie Erilus claimed

that these were Gerline Erilus' employees. St. Fonie Erilus also issued a Form W-2 to Gerline Erilus for 2014.

27. In at least 2014, the tax preparation fees received by both Gerline and St. Fonie Erilus, and their businesses, were deposited in the same bank account. Gerline and St. Fonie Erilus did not maintain records to allocate or differentiate the income received and expenses incurred by Gerline and St. Fonie Erilus and their businesses that year.

28. In addition to owning and operating tax preparation stores (directly or through their wholly-owned entities), Gerline Erilus and St. Fonie Erilus personally prepared tax returns. Because Gerline Erilus and St. Fonie Erilus often do not identify themselves as the paid preparer on the tax returns that they prepare, it is difficult to determine the total number of tax returns that they personally prepared.

The Defendants' Activities

29. The Defendants prepare tax returns to generate bogus refunds for customers, enabling the Defendants to charge exorbitant fees and maximize profits at the expense of the United States Treasury.

30. Many of the Defendants' customers earn low to moderate incomes and lack knowledge regarding tax law and tax return preparation. Customers often have no knowledge that the Defendants have prepared and filed false tax returns on their behalf. For others, the Defendants mislead customers about what can "legally" be claimed on their tax returns, particularly with respect to various credits and deductions, and by promising customers thousands of dollars of (illegal) refunds to convince them to have the Defendants prepare their tax returns.

31. The Defendants make false claims on tax returns, particularly on the forms attached to those returns, in order to improperly increase customers' refunds. After completing the returns, the Defendants falsely tell the customers that these forms legally increased the customers' refunds, and charge higher (and often undisclosed) fees due to the additional forms and the higher refund that the Defendants claimed. The Defendants charge customers fees for preparing the return, fees for each tax form attached to the return, and fees for filing the return. These fees are all deducted from the customer's tax refund, often without the customer being told the amount that the Defendants actually charged for preparing the tax return.

32. The Defendants request on customers' tax returns a refund amount that is not based on the customer's actual income, expenses, deductions, and applicable qualifying credits. Instead, the refund is based on fabricated income, expenses, deductions, and credits reported by the Defendants.

33. The Defendants engage in unlawful tax return preparation practices including:
- a. Making false claims for the Earned Income Tax Credit;
 - b. Circumventing due diligence requirements in order to unlawfully maximize the Earned Income Tax Credit;
 - c. Fabricating businesses and related business income and expenses;
 - d. Improperly claiming false filing status, such as Head of Household;
 - e. Fabricating itemized deductions;
 - f. Claiming education credits to which their customers are not entitled;
 - g. Charging deceptive and unconscionable fees;
 - h. Failing to provide customers with a copy of the completed tax return; and
 - i. Failing to identify the actual paid preparer of the tax return.

**Phony Claims for the Earned Income Tax Credit
and Failure to Comply with Due Diligence Requirements**

34. The Defendants prepare tax returns that include fraudulent claims for the Earned Income Tax Credit (“EITC”) often based on fabricated business income and expenses, bogus or improperly-claimed dependents, and/or false filing status.

35. The EITC is a refundable tax credit available to certain low-income working people. The amount of the credit is based on the taxpayer’s income, filing status, and claimed number of dependents. *See* 26 U.S.C. § 32 and the accompanying Treasury Regulations. Because the EITC is a refundable credit, claiming an EITC can, in certain circumstances, reduce a taxpayer’s federal tax liability below zero, entitling the taxpayer to a payment from the U.S. Treasury.

36. Due to the method used to calculate the EITC, an individual can claim a larger EITC by claiming multiple dependents and, for certain income ranges, individuals with higher earned income are entitled to a larger credit than those with lower earned income. The amount of the credit increases as income increases between \$1 and \$13,650, and decreases as income increases beyond \$17,830. Some tax preparers who manipulate reported income to maximize the EITC refer to this range of earned income corresponding to a maximum EITC as the “sweet spot” or “golden range.” For tax year 2014, the maximum EITC was \$6,143 and was available to eligible individuals with three dependent children who earned income between \$13,650 and \$17,830.

37. Because of the way the EITC is calculated, reporting more income, up to a certain point, allows customers to receive a larger refundable credit. Similarly, claiming losses to offset higher income to decrease the total reported income and to fall within the “sweet spot” allows customers to claim a larger refundable credit.

38. The Defendants falsify information to claim the maximum EITC for customers. For example, to bring the customer's reported earned income within the "sweet spot" for the EITC, and depending on a customer's actual income, the Defendants inflate or fabricate business income reported on a Form Schedule C, "Profit or Loss from Business (Sole Proprietorship)" (used to report income and expenses from a sole proprietorship), in order to fraudulently increase customers' reported earned income, or claim bogus Schedule C expenses to fraudulently decrease customers' reported earned income.

39. Because of the potential for abuse in claiming the EITC, Congress has authorized the Secretary of the Treasury to impose "due diligence" requirements on federal tax return preparers claiming the EITC for their customers. These "due diligence" requirements obligate the tax return preparer to make "reasonable inquiries" to ensure the customer is legitimately entitled to the EITC. The tax return preparer may not "ignore the implications of information furnished to, or known by, the tax return preparer, and must make reasonable inquiries if the information furnished to the tax return preparer appears to be incorrect, inconsistent, or incomplete." Tax return preparers must also document their compliance with these requirements and keep that documentation for three years.

40. The Defendants fail to comply with the due diligence requirements. The Defendants show an intentional disregard for the tax laws and in particular for the due diligence requirements.

Fabricated Schedule C Business Income and Expenses

41. The Defendants prepare tax returns reporting non-existent businesses on bogus Forms Schedule C. On some of these returns, the Defendants report substantial business income, but little or no expenses. On other returns, the Defendants report substantial expenses, but little

or no income. The determining factor is whether the tax return preparer needs to inflate a customer's income (or create income when the customer has none) to bring the reported income within the EITC "sweet spot," or to lower the taxable income of a customer who has actual income (such as wages reported on a W-2) in order to either bring the income within the EITC "sweet spot" or simply to create a phony business loss to offset the customer's wages and falsely or fraudulently reduce the customer's income tax liability.

Customer 1

42. For example, Customer 1 of Clearwater, Florida, had her 2013 federal income tax return prepared at Gerline Erilus' tax preparation store in Clearwater. In 2013, Customer 1, who was married, earned approximately \$5,200 in income through a cleaning business that she operated. However, on the Schedule C attached to her tax return, the preparer falsely reported that Customer 1 received gross receipts of exactly \$13,000 from her cleaning business. The preparer, knowing that Customer 1 was married, also falsely claimed Head of Household filing status on the tax return. By claiming the falsely inflated income and bogus filing status, the preparer claimed a fabricated EITC in the amount of \$4,810 and a bogus refund of \$4,336 on Customer 1's 2013 tax return.

Customer 2

43. Similarly, Customer 2 of Clearwater, Florida, had her 2013 federal income tax return prepared at Gerline Erilus' tax preparation store in Clearwater. In 2013, Customer 2 attended college and did not work. However, on the Schedule C attached to her tax return, the preparer falsely reported that Customer 2 received gross receipts of exactly \$13,000 (the exact same amount of income that the preparer reported on Customer 1's tax return) from a babysitting business with a reported address of "Sharky, Clearwater, FL 33765." By claiming the fabricated

income, the preparer claimed a fabricated EITC in the amount of \$3,250 and a bogus refund of \$3,727 on Customer 2's 2013 tax return.

Customer 3

44. Customer 3 of Clearwater, Florida, had her 2013 federal income tax return prepared at Gerline Erilus' tax preparation store in Clearwater. In 2013, Customer 3 resided in a homeless shelter. However, on the Schedule C attached to the tax return, the preparer falsely reported that Customer 3 received gross receipts of \$15,550 from a hairdressing business. Customer 3 did not have any business or receive such income in 2013. Despite Customer 3 being homeless and residing in a shelter in 2013, the tax return falsely reported that Customer 3 supported two dependents in 2013. By claiming the fabricated income and phony dependents, the preparer claimed a fabricated EITC in the amount of \$5,250, phony child tax credits, and a bogus refund of \$4,773 on Customer 3's 2013 tax return.

Customer 4

45. St. Fonie Erilus prepared the 2014 federal income tax return of Customer 4 of Tampa, Florida. Customer 4 received \$6,204 in wages from her job, a pension, and social security income in 2014. Customer 4 provided St. Fonie Erilus with copies of her Forms W-2, 1099-R and 1099-SSA. Customer 4 lived with her brother, her daughter, and her two grandchildren. Customer 4's brother and daughter received social security income and other financial assistance from the state. Customer 4's daughter also received income from her job. Thus, Customer 4 did not financially support her brother and daughter. Customer 4 initially attempted to prepare her 2014 tax return herself using Turbo Tax, but she did not understand how to use the software, so she went to Diversified Solutions based on a relative's referral.

46. St. Fonie Erilus falsely reported on the Schedule C attached to the tax return that Customer 4 had a “child care” business through which Customer 4 purportedly earned income totaling \$5,500. Customer 4 helped to financially support her grandchildren who lived with her, and she sometimes took care of the grandchildren but was not financially compensated for this babysitting. St. Fonie Erilus also falsely claimed Customer 4’s brother as a dependent on the tax return, even though Customer 4 did not financially support her brother, who himself received social security income. As a result of the phony income and dependent, St. Fonie Erilus claimed a falsely inflated EITC in the amount of \$5,096 and a bogus refund of \$6,624 on Customer 4’s 2014 tax return. St. Fonie Erilus did not disclose the fee to Customer 4; based on records that the IRS obtained, St. Fonie Erilus subtracted \$939 in fees from Customer 4’s refund.

47. Customer 4 was not aware that St. Fonie Erilus prepared and filed a Schedule C reporting business income. St. Fonie Erilus did not review the completed tax return with Customer 4, but simply placed it in an envelope that St. Fonie Erilus handed to Customer 4. Although Customer 4 signed her tax return, St. Fonie Erilus simply instructed Customer 4 where to sign without explaining what she was signing.

48. After the return was filed, Customer 4 received a letter from the Social Security Administration stating that her benefits would be reduced or eliminated because of the amount of income that was reported on her tax return. Customer 4 contacted the Social Security Administration, learned that St. Fonie Erilus had reported fabricated business income on her tax return, and attempted to amend her tax return to remove the phony income. The IRS also subsequently examined Customer 4’s tax return, and determined that she owed \$2,693.47 in tax and interest.

Customer 5

49. St. Fonie Erilus prepared the 2014 federal income tax return of Customer 5 of Tampa, Florida. Customer 5 received wages from her job in 2014, interest income from a financial account, and no other income.

50. St. Fonie Erilus falsely reported on the Schedule C attached to the tax return that Customer 5 had a “child care” business through which she earned \$13,000 in income. Customer 5 did not have any such business and did not inform St. Fonie Erilus that she had a business. Customer 5 cared for her grandchildren, but was not compensated for doing so.

51. By reporting this fabricated income, St. Fonie Erilus falsely claimed an EITC in the amount of \$5,460 and a bogus refund of \$5,239 on Customer 5’s 2014 tax return. The IRS examined Customer 5’s tax return and determined that she owed \$4,716.54 in tax and interest.

Customer 6

52. St. Fonie Erilus prepared the 2013 and 2014 federal income tax returns of Customer 6 of Tampa, Florida. Customer 6 received income from her job in 2013 and 2014. Customer 6 also cut or braided hair for friends or relatives as a hobby, not for income.

53. On both the 2013 and 2014 tax returns of Customer 6, St. Fonie Erilus falsely reported on forms Schedule C the exact same \$17,000 in income received from, and \$500 in expenses incurred for, a purported “haircare” business identifying Customer 6’s apartment as the business address. By reporting this fabricated business income, St. Fonie Erilus falsely claimed an EITC of \$6,044 on the 2013 return and \$5,701 on the 2014 return, and bogus refunds of \$5,610 on the 2013 return and \$6,119 on the 2014 return. The IRS examined these tax returns and determined that Customer 6 owed over \$9,630 in tax, interest, and penalties for these years.

Intentionally Claiming an Improper Filing Status and Bogus Dependents

54. The Defendants prepare tax returns reporting false filing status. Specifically, Head of Household filing status is claimed on customers' tax returns to increase the amount of the customers' standard deduction, when the Defendants know that the customer does not qualify for Head of Household filing status.

55. The Defendants file separate returns for married couples who are not living apart, improperly using the "Head of Household" or "Single" filing status, both of which are unavailable to married couples living together. Often, this is an attempt to increase the claimed EITC; a qualifying couple with at least two children who, together, might otherwise receive a single EITC refund of \$5,000 by properly claiming "married, filing jointly," may instead each unlawfully receive a refund of \$3,000 or more, by both falsely claiming Head of Household or single status and each claiming at least one dependent.

56. Additionally, the Defendants claim dependents who do not actually qualify as dependents on customers' tax returns, and then claim Head of Household filing status to increase the customers' refunds through both the false filing status and fraudulent EITC claim based on the bogus dependents.

Customer 7

57. For example, Gerline Erilus prepared the 2012 federal income tax return of Customer 7, of Orlando, Florida. Gerline Erilus claimed Head of Household filing status on the tax return, and falsely reported that Customer 7 had three dependents, all of whom were her "sons." In reality, the three claimed dependents were Customer 7's nephews, and did not qualify to be claimed as Customer 7's dependents. By falsely claiming these dependents, Gerline Erilus

falsely claimed Head of Household filing status, child tax credits, and the Earned Income Tax Credit, resulting in a bogus refund of \$7,628.

Customer 8

58. Similarly, Gerline Erilus prepared the 2012 federal income tax return of Customer 8, of Orlando, Florida. Gerline Erilus claimed Head of Household filing status on the tax return by falsely claiming two dependents, identified as “nieces.” In reality, the two claimed dependents were the children of Customer 8’s cousin, and did not qualify to be claimed as Customer 8’s dependents. Additionally, Gerline Erilus falsely reported on the Schedule C attached to the return that Customer 8 had a business, not identified by name or type of business, through which Customer 8 earned \$11,992 in income. Customer 8 did not operate a business or receive any such income. By falsely claiming these dependents, as well as the fabricated income on the Schedule C, Gerline Erilus falsely claimed Head of Household filing status, child tax credits, and the Earned Income Tax Credit, resulting in a bogus refund of \$6,181.

Bogus Schedule A Deductions

59. The Defendants prepare tax returns reporting bogus itemized deductions on Form Schedule A, “Itemized Deductions,” to improperly or fraudulently reduce customers’ taxable income.

60. For example, the Defendants prepare tax returns for customers that include Forms Schedule A making false claims for purported unreimbursed employee business expenses. Section 162 of the Internal Revenue Code governs trade or business expenses. The Defendants often claim deductions for fabricated, fraudulently inflated, and/or non-qualifying business expenses, particularly for purported business miles driven by customers. The Defendants ask customers whether they incurred expenses for such personal expenditures such as rent, cell

phones, and clothing, without explaining to customers that these expenses are actually non-deductible. If the customer responds that they had such expenses, the Defendants then report these non-deductible expenses as deductible employee business expenses in amounts that the Defendants fabricate in order to maximize the customer's refund. In instances where customers do have actual qualifying expenses, such as for charitable contributions, the Defendants report a falsely inflated amount of the expense that the customer incurred, to improperly increase the tax refund claimed on the return.

61. According to St. Fonie Erilus, money that an employee spends on lunch – a non-deductible personal expense – can be reported on an IRS Form 2016, "Employee Business Expenses," as a deductible unreimbursed employee business expense for meals and entertainment. A tax return preparer who worked for St. Fonie Erilus deducted personal expenses incurred by a customer related to his daughter's wedding, including the wedding dress. The preparer was trained that deductible expenses that can be reported on a Form Schedule A included personal cell phone bills, clothing, and any expenses related to a customer's child.

62. Additionally, St. Fonie Erilus, and those acting with her knowledge and consent or at her direction, commonly claim the housing rent paid by customers as a deductible expense on Forms Schedule A. St. Fonie Erilus, and those acting with her knowledge and consent or at her direction, frequently report personal housing rental expenses on line 8 of the Form Schedule A as "other taxes," in the section of the form titled "Taxes You Paid," where deductible expenses such as state and local income taxes, real estate taxes, and personal property taxes are properly reported. Rent for housing or a living space is a personal expense and is not a deductible "tax."

Customer 9

63. For example, Gerline Erilus prepared the 2016 federal income tax return of Customer 9, of Orlando, Florida. Customer 9 worked at Macy's in 2016 in the cosmetics department, and received wages totaling \$34,254. Customer 9 did not incur any out-of-pocket expenses for her job, and her only job-related requirement is that she had to wear black clothing to work. Gerline Erilus falsely informed Customer 9 that any expenses incurred for these clothes could be deducted as a uniform expense, but Customer 9 did not provide any clothing expenses amount to Gerline Erilus. Gerline Erilus also asked whether Customer 9 had to travel for work, and Customer 9 responded that she did not, and she did not discuss any vehicle mileage amounts with Gerline Erilus.

64. On the Schedule A attached to the tax return, Gerline Erilus falsely reported that Customer 9 incurred unreimbursed employee business expenses in the amount of \$19,274, or approximately 56% of her wages. This included fabricated expenses for uniforms (\$1,680) and tools (\$3,780). Gerline Erilus also falsely claimed that Customer 9 drove her car 25,581 miles for her job, and claimed a bogus vehicle expense of \$13,814. As a result of these fabricated expenses, Gerline Erilus claimed a bogus refund of \$3,087 on Customer 9's 2016 tax return.

65. Gerline Erilus did not review the completed tax return with Customer 9, but emailed her an illegible copy several days after it was filed. Customer 9 was not told how much she would be charged to have the return prepared; Gerline Erilus only stated that a percentage of the refund would be taken, without specifying what percentage.

66. Gerline Erilus also prepared an amended 2015 federal income tax return for Customer 9 (the original return was prepared by an unrelated preparer), and informed Customer

9 that she would receive a \$700 refund by amending that tax return. Gerline Erilus amended the tax return by claiming similar phony unreimbursed employee business expenses.

Customer 10

67. Customer 10, of Orlando, Florida, had his 2016 federal income tax return prepared at Gerline Erilus' store in Orlando. Although the tax return identifies Gerline Erilus as the paid preparer, Customer 10 believes that an employee prepared his return. Customer 10 worked at UPS in 2016 in a warehouse, and received wages totaling \$26,579. Customer 10 provided the preparer with copies of his Form W-2, driver's license, and social security card. Customer 10 did not incur any out-of-pocket expenses for his job. The preparer did not discuss any possible job expenses, vehicle expenses, or mileage with Customer 10.

68. On the Schedule A attached to the tax return, the preparer falsely reported that Customer 10 incurred unreimbursed employee business expenses in the amount of \$16,089, or roughly 60% of his wages. This included fabricated expenses for uniforms (\$800), a cell phone (\$650), and shoes (\$520). Customer 10 did not discuss these purported expenses with the preparer. The preparer also falsely claimed that Customer 10 drove his car 26,146 miles for his job, and claimed a bogus vehicle expense of \$14,119. In reality, Customer 10 did not even own a car for half of the year. During the 20 to 30 minutes that Customer 10 was having his tax return prepared, he and the preparer only engaged in small talk, and did not discuss any of the expenses claimed on the tax return. As a result of these fabricated expenses, the preparer claimed a bogus refund of \$2,730 on Customer 10's 2016 tax return. The preparer did not review the completed tax return with Customer 10. The preparer told Customer 10 that the fee to prepare the return was \$250, but hundreds of dollars more was actually subtracted from his tax refund.

Customer 11

69. St. Fonie Erilus prepared the 2015 and 2016 federal income tax returns of Customer 11 of Spring Hill, Florida. Although St. Fonie Erilus prepared both of these returns, Customer 11's 2015 return identifies another preparer as the paid preparer. Customer 11 provided St. Fonie Erilus copies of her driver's license, social security card, and Forms W-2. When having her 2015 tax return prepared, Customer 11 was asked to fill out a questionnaire asking how much she spent for expenses such as rent, gas, phone, and utilities. In most instances, these are personal, not job-related, expenses. Customer 11, who did not bring any documentation showing her expenses, was asked to simply estimate her expenses.

70. On the 2015 tax return, St. Fonie Erilus falsely claimed Customer 11's personal expenses as unreimbursed employee business expenses. For example, St. Fonie Erilus falsely claimed car expenses in the amount of \$1,800, cell phone expenses in the amount of \$900, work uniforms in the amount of \$3,500, work shoes in the amount of \$500, and dry cleaning in the amount of \$500. In 2015, Customer 11 received wages totaling \$37,639. St. Fonie Erilus falsely reported that Customer 11 incurred unreimbursed employee business expenses totaling \$22,054, more than 58% of her income.

71. Additionally, on line 8 of the Form Schedule A, St. Fonie Erilus falsely claimed a personal "rent" expense in the amount of \$1,800 as a "tax" paid by Customer 11. The fabricated expenses reported on the Schedule A totaled \$26,842. As a result of these fabricated expenses, St. Fonie Erilus claimed a bogus refund of \$3,752 on Customer 11's 2015 tax return.

72. When Customer 11 had her 2016 tax return prepared, she was not required to complete another expense questionnaire as she had the prior year; St. Fonie Erilus simply asked Customer 11 whether any of her expenses changed in 2016.

73. In 2016, Customer 11 earned wages totaling \$62,841. On the 2016 tax return, St. Fonie again falsely claimed car repairs as an unreimbursed employee business expense, in the amount of \$3,000. St. Fonie also claimed the exact same phony expenses, *in the exact same amounts*, as claimed on the 2015 tax return for a cell phone, uniforms, work shoes, and dry cleaning. St. Fonie falsely reported that Customer 11 incurred unreimbursed employee business expenses totaling \$22,397 in 2016, which was over one-third of her income. St. Fonie Erilus also falsely claimed on line 8 of the Form Schedule 8 a personal “rent” expense, again categorized as a “tax” paid, in the amount of \$11,350.

74. Customer 11 made some small donations to charity in 2016. St. Fonie Erilus told Customer 11 that she could claim more in charitable contributions up to a certain amount without needing proof to support the claimed amount. Customer 11 felt like St. Fonie Erilus was pushing her to provide a larger and false amount of charitable contributions, which Customer 11 refused to do. Without Customer 11’s knowledge or consent, St. Fonie Erilus reported a fabricated charitable contribution in the amount of \$13,000 on Customer 11’s 2016 tax return.

75. The fabricated expenses reported on the Form Schedule A totaled \$50,477. As a result, St. Fonie Erilus claimed a bogus refund of \$6,346 on Customer 11’s 2016 tax return.

76. St. Fonie Erilus did not review either of the completed tax returns with Customer 11. St. Fonie Erilus only asked Customer 11 to confirm that her name, address, and social security number were accurately reported. St. Fonie Erilus did not give Customer 11 complete copies of her tax return, as Customer 11 learned when she needed to provide a copy of a tax return to a third-party. When having Customer 11 sign copies of the tax returns, St. Fonie Erilus simply flipped through the pages, covering the top half of the page with her hand, and instructed Customer 11 where to sign. Customer 11 does not know how much she paid to have the tax

returns prepared. Customer 11 was told she would receive a referral fee for each person that she referred to the business, but despite referring several people, she never received a referral fee.

Customers 12 and 13

77. Customers 12 and 13 had their 2015 and 2016 federal income tax returns prepared at St. Fonie Erilus' tax preparation store in Tampa. Customer 12 was referred to Diversified Solutions by a co-worker. Customer 12 initially attempted to self-prepare her 2015 tax return using Turbo Tax, which stated that she would receive a refund of roughly \$600. Because she was unsure whether she had entered information correctly in Turbo Tax, she contacted a preparer at Diversified Solutions by telephone, who informed her that he could get her a refund of \$2,000 to \$3,000 (without having any documents showing her income or tax-related information). The preparer told Customer 12 that the tax preparation fee would be between \$250 and \$300.

78. Customer 12 went to the Diversified Solutions office to have the tax return prepared. The preparer asked Customer 12 about personal expenses, such as rent, cell phone, cable, and utilities. Customer 12 emailed copies of her cable and electric bill to the preparer. The preparer did not ask about other expenses, such as car payments or repairs, or school clothing for Customer 12's and 13's daughter.

79. On the 2015 tax return, the preparer falsely reported that Customers 12 and 13, whose wages totaled \$47,729, incurred unreimbursed employee business expenses totaling \$18,032, including for a cell phone (\$1,380) and shoes (\$362). The remaining expenses of over \$16,000 were not categorized on the tax return filed with the IRS. The preparer also falsely claimed that Customers 12 and 13 incurred other purportedly deductible expenses for "school clothes" in the amount of \$1,100 and a "car repair" in the amount of \$2,500. The preparer did

not ask Customer 12 about these personal expenses, and Customer 12 does not know why the preparer reported these amounts.

80. Additionally, on line 8 of the Form Schedule A, the preparer falsely reported a “rent” expense in the amount of \$10,800 as a “tax” that Customers 12 and 13 paid in 2015.

81. As a result of these phony expenses of \$34,962 reported on the Schedule A, the preparer claimed a bogus refund of \$3,530 on Customer 12’s and 13’s 2015 tax return.

82. The same preparer prepared Customer 12’s and 13’s 2016 tax return. Again on that return, the preparer falsely claimed unreimbursed employee business expenses totaling \$20,113, including for a cell phone (\$1,260) and shoes (\$500). The preparer also falsely claimed unreimbursed employee business vehicle expenses totaling \$18,353, falsely claiming that Customers 12 and 13 drove their two cars 16,536 and 17,452 miles for work. The preparer also again falsely claimed that Customers 12 and 13 incurred purportedly deductible expenses for “school clothes” in the amount of \$1,200 and a “car repair” in the amount of \$500.

83. The preparer falsely claimed on line 8 of the Form Schedule A that Customers 12 and 13 paid purported “taxes” for both “rent,” in the amount of \$10,548, and a “car payment,” in the amount of \$3,480. These are personal expenses, not taxes, and are not deductible. As a result of these fabricated expenses, the preparer claimed fabricated itemized deductions totaling \$36,816, and a bogus refund of \$4,243 on Customer 12’s and 13’s 2016 tax return.

84. Customers 12 and 13 do not know how much they were charged to have the tax returns prepared, because they were never given an itemized listing of the fees. Based on the refund requested on the 2016 tax return and the refund received, the preparer may have deducted approximately \$700 in fees from the tax refund. The preparer never reviewed the completed tax returns with Customers 12 and 13, who were unaware of the false claims made on the returns.

Customers 12 and 13 recently attempted to obtain a mortgage to purchase a house. However, they could not obtain a loan, and the potential loan provider informed Customers 12 and 13 that the denial was because of the expenses reported on these tax returns.

Customers 14 and 15

85. St. Fonie Erilus prepared the 2013, 2014, 2015, and 2016 federal income tax returns of Customers 14 and 15 of Tampa, Florida. Customer 14 works security at an arena and Customer 15 works for the Salvation Army.

86. On all four of the tax returns, St. Fonie Erilus claimed fabricated unreimbursed employee business expenses, totaling \$29,697 on the 2013 return, \$16,853 on the 2014 return, \$28,523 on the 2015 return, and \$27,202 on the 2016 return. During these years, Customers 14 and 15 received wages totaling \$33,940, \$33,124, \$35,841, and \$38,406, respectively. Thus, St. Fonie Erilus falsely claimed, year after year, that Customers 14 and 15 were incurring job-related expenses ranging between 50 percent and 87 percent of their combined wages. Specifically, St. Fonie Erilus falsely reported expenses for a cell phone (in the amount of \$1,920 on all four returns), uniforms (in the amount of \$1,525 on the 2013, 2014, and 2015 return, and \$1,424 on the 2015 return), and shoes (in the amount of \$200 on the 2013 and 2014 returns, and \$300 on the 2015 and 2016 returns). Customers 14 and 15 did not incur job-related expenses in these large amounts, and did not inform St. Fonie Erilus that they incurred these expenses.

87. St. Fonie Erilus also reported fabricated vehicle-related business expenses. For example, on the 2013 tax return, St. Fonie Erilus falsely reported that Customer 14 drove his car 19,831 miles for his job, and claimed a resulting phony deduction for \$11,205. Similarly, St. Fonie Erilus falsely reported that Customer 15 drove her car 24,256 miles for her job, and claimed a resulting phony deduction for \$13,703. Customers 14 and 15 do not drive their cars

for work, other than commuting to and from their respective workplaces. Even if these commuting miles were deductible (they are not), St. Fonie Erilus fabricated the numbers without any input from Customers 14 and 15. Indeed, Customer 14 had a longer commute than Customer 15, yet the return falsely reports that Customer 15 drove over 4,000 more miles for work than her husband. An IRS Form 2106, "Unreimbursed Employee Business Expenses," used to categorize specific expenses, such as vehicle, travel, and meals and entertainment expenses, was not filed with Customer 14's and 15's 2014, 2015, and 2016 tax returns to report the vehicle expenses (and relating mileage) claimed as expenses.

88. St. Fonie Erilus also fabricated and inflated claimed medical and dental expenses reported on Customer 14's and 15's tax returns. From 2013 to 2016, Customer 15 incurred medical expenses of roughly a few hundred dollars a year for eyeglasses, and incurred other expenses, as much as a few thousand dollars annually, for major dental procedures. On the tax returns of Customers 14 and 15, however, St. Fonie Erilus reported grossly inflated expense amounts. On the 2013, 2014, 2015, and 2016 tax returns, St. Fonie Erilus reported inflated medical and dental expenses in the amounts of \$8,000, \$16,906 (almost half of the reported income in 2014), \$3,300, and \$21,109 (almost half of the reported income in 2016), respectively. Customers 14 and 15 did not incur medical and dental expenses in these large amounts, and did not inform St. Fonie Erilus that they incurred these expenses.

89. The reported deductions on the Form Schedule A attached to Customer 14's and 15's 2016 tax return exceeded their combined income by \$3,630. The total reported deductions on the Forms Schedule A on the 2013, 2014, and 2015 tax returns nearly equaled their combined income for those years.

90. As a result of reporting these fabricated deductions, St. Fonie Erilus claimed bogus refunds in the amounts of \$1,171, \$1,225, \$1,402, and \$1,715, respectively, on the 2013, 2014, 2015, and 2016 tax returns of Customers 14 and 15. St. Fonie Erilus also failed to identify herself as the paid preparer of the 2016 tax return, instead identifying a male preparer.

91. Customers 14 and 15 do not know how much they were charged to have their tax returns prepared. St. Fonie Erilus stated that the fee would be \$300, which seemed high to Customers 14 and 15 based on fees they previously paid to tax return preparers unrelated to the Defendants. The Forms Schedule A attached to their 2016, 2015, and 2014 tax returns claimed deductions for tax preparation fees paid those years for \$685, \$500, and \$600, respectively.

92. Similar to Customers 12 and 13, described in paragraph 77-84, *supra*, Customers 14 and 15 attempted to obtain a mortgage, and were asked to provide copies of their tax returns that St. Fonie Erilus prepared. Customers 14 and 15 were unable to obtain a mortgage because of the phony expenses reported on these tax returns, and were only able to obtain a mortgage when their son co-signed for the loan.

Customer 16

93. St. Fonie Erilus prepared the 2015 and 2016 federal income tax returns of Customer 16 of Tampa, Florida. Customer 16 worked as a roofer in 2015 and 2016 and purchased some tools for his job. Customer 16 also drove his personal vehicle for his job.

94. Customer 16 received wages totaling \$34,010. St. Fonie Erilus falsely reported deductions on the Form Schedule A totaling \$33,054, nearly equaling the reported income, to reduce Customer 16's taxable income to zero. This included a fabricated unreimbursed employee business expenses of \$26,313, of which \$850 was for tools. St. Fonie Erilus also falsely claimed that Customer 16 incurred business expenses for a cell phone (\$1,440), a uniform

(\$450), and shoes (\$300). Customer 16 did not incur any expenses for his vehicle or any other job-related items in the remaining and uncategorized amount, nor did he inform St. Fonie Erilus that he incurred such expenses.

95. St. Fonie Erilus asked Customer 16 about several expenses, including rent (a personal expense) on a questionnaire or checklist that she completed while he answered her questions. Customer 16 informed St. Fonie Erilus that he paid his mother approximately \$400 to \$500 monthly to live in her house. On line 8 of the Form Schedule A, St. Fonie Erilus falsely reported Customer 16's rent payments as "other taxes" in the amount of \$6,000.

96. In 2016, Customer 16 received wages totaling \$35,508. On Customer 16's 2016 tax return, St. Fonie Erilus reported phony deductions on the Form Schedule A totaling \$30,895.

97. The reported deductions included \$25,754 in unreimbursed employee business expenses, of which \$623 was reported as an expense for tools. On the 2016 tax return, St. Fonie Erilus claimed the exact same bogus expenses and amounts reported on the 2015 tax return for a cell phone (\$1,440), a uniform (\$450), and shoes (\$300).

98. On the 2016 tax return, St. Fonie Erilus again falsely reported \$4,000 in personal rent payments as "other taxes" paid on the Form Schedule A.

99. As a result of these fabricated and non-qualifying deductions, St. Fonie Erilus claimed bogus refunds on Customer 16's 2015 and 2016 tax returns in the amounts of \$4,374 and \$4,604, respectively. St. Fonie Erilus told Customer 16 the amount of the refunds he would receive, but did not tell him how much she was charging to prepare the returns, and the fee was taken from the refunds. St. Fonie Erilus did not review the completed tax returns with Customer 16, but placed copies in a folder that she gave to him. Customer 16, in connection with assisting a family member, had another professional review his tax returns, and was told there were

problems with the claimed expenses. When Customer 16 attempted to contact St. Fonie Erilus to inquire about the expenses claimed on his return, she would not answer or return his phone calls.

Customer 17

100. St. Fonie Erilus prepared the 2013 and 2014 federal income tax returns of Customer 17 of Riverview, Florida. In 2013 and 2014, Customer 17 worked for Express Scripts Pharmacy and another pharmacy company.

101. St. Fonie Erilus reported fabricated deductions, including for unreimbursed employee business expenses, on Customer 17's 2013 and 2014 tax returns. Customer 17's 2013 tax return identifies the paid preparer's firm name as "Gerline Erilus LLC," with an address in Tampa, Florida. Customer 17 received wages totaling \$46,943 in 2013. On the 2013 tax return, St. Fonie Erilus reported fabricated deductions on the Form Schedule A attached to the return totaling \$41,431. This included a personal "car repair" expense of \$950 and fabricated charitable contributions of \$5,810. St. Fonie Erilus also claimed phony unreimbursed employee business expenses totaling \$32,898, or over 70% of the wages that Customer 17 received in 2013. The fabricated expenses included prescriptions in the amount of \$3,900, dry cleaning in the amount of \$600, makeup in the amount of \$3,554, and a cell phone in the amount of \$2,680.

102. On Customer 17's 2014 tax return, St. Fonie Erilus again reported the same fabricated unreimbursed employee business expenses *in the exact same amounts*: prescriptions in the amount of \$3,900, dry cleaning in the amount of \$600, makeup in the amount of \$3,554, and a cell phone in the amount of \$2,680.

103. In 2014, Customer 17 received wages totaling \$34,583. St. Fonie Erilus claimed fabricated unreimbursed employee business expenses totaling \$28,630, or over 82% of Customer 17's reported wages, on the 2014 tax return.

104. As a result of the phony deductions that St. Fonie Erilus reported on the Forms Schedule A attached to the tax returns, Customer 17's 2013 and 2014 tax returns claimed bogus refunds of \$2,206 and \$696, respectively.

Customer 18

105. Customer 18 of Clearwater, Florida, had his 2013 federal income tax return prepared at St. Fonie Erilus' tax preparation store in Clearwater, and St. Fonie Erilus prepared Customer 18's 2014 and 2015 federal income tax returns. Customer 18 provided the preparer and St. Fonie Erilus with copies of his forms W-2, 1099 showing retirement income received, and 1098 showing mortgage interest paid. Neither the preparer of the 2013 tax return nor St. Fonie Erilus asked Customer 18 about any rent payments or car payments. The preparer and St. Fonie Erilus asked Customer 18 whether he supported his grandchildren, for example by purchasing food or clothing, but did not discuss with Customer 18 any specific amounts for these personal, family-related expenses.

106. In 2013, Customer 18 received wage income totaling \$48,470. On Customer 18's 2013 tax return, the preparer falsely reported deductions on the Schedule A totaling \$48,458, nearly equaling Customer 18's income.

107. The preparer falsely reported that Customer 18 incurred \$29,871 in unreimbursed employee business expenses, over 61% of the wages Customer 18 received in 2013. These fabricated expenses included a \$14,346 vehicle expense for Customer 18 purportedly driving his personal vehicle 25,391 miles for his job, and a \$13,800 expense for "daughters rent," a personal, non-employment related expense. Additionally, the preparer falsely reported a \$5,000 expense for "grandkids school clothes," another personal, non-deductible expense. The preparer also falsely reported car payments in the amounts of \$5,880 and \$5,400 as "other taxes" that

Customer 18 purportedly paid in 2013. Customer 18 did not provide any of these reported expense amounts to the preparer, who reported these phony expenses without Customer 18's knowledge or consent.

108. In 2014, Customer 18 received wages totaling \$52,965 and retirement income of \$7,000, for total income of \$59,965. On the Schedule A attached to Customer 18's 2014 tax return, St. Fonie Erilus reported fabricated deductions totaling \$57,008, thereby falsely reducing Customer 18's taxable income to 0.

109. On Customer 18's 2014 tax return, St. Fonie Erilus reported fabricated expenses similar to those reported on the 2013 tax return. St. Fonie Erilus falsely reported that Customer 18 incurred \$25,966 in unreimbursed employee business expenses, including a \$12,600 expense for "daughters rent." St. Fonie Erilus also falsely reported a \$1,400 expense for "Grandkids school clothes" and a \$10,400 expense for "replaced central air," both personal, non-deductible expenses. St. Fonie Erilus also falsely reported car payments in the amounts of \$5,604 and \$5,760 as "other taxes" that Customer 18 purportedly paid in 2014. Customer 18 did not provide any of these reported expense amounts to St. Fonie Erilus, who reported these phony expenses without Customer 18's knowledge or consent.

110. In 2015, Customer 18 received wages totaling \$58,682 and retirement income of \$3,069, for total income of \$61,751. On the Schedule A attached to Customer 18's 2015 tax return, St. Fonie Erilus reported fabricated deductions totaling \$45,963.

111. On Customer 18's 2015 tax return, St. Fonie Erilus again reported fabricated expenses similar to those reported on the 2013 and 2014 tax returns. For example, St. Fonie Erilus falsely claimed \$12,000 for "daughters rent" and \$4,000 for "Grandkids school clothes" as "other" deductible expenses. St. Fonie Erilus also again falsely reported car payments in the

amounts of \$6,112 and \$5,640 as “other taxes” that Customer 18 purportedly paid in 2015. Customer 18 did not provide any of these reported expense amounts to St. Fonie Erilus, who reported these phony expenses without Customer 18’s knowledge or consent.

112. As a result of these phony reported expenses, Customer 18’s 2013, 2014, and 2015 tax returns claimed bogus refunds in the amounts of \$6,491, \$8,162, and \$8,080, respectively.

Customer 19

113. St. Fonie Erilus prepared the 2013, 2014, and 2015 federal income tax returns of Customer 19 of Tampa, Florida. Customer 19 worked for the City of Tampa all three of these years. Customer 19 provided copies of her Form W-2, ID, and social security card for her grandson to St. Fonie Erilus. Customer 19 also showed St. Fonie Erilus bank statements showing how much Customer 19 contributed to charity.

114. When preparing the tax returns, St. Fonie Erilus asked Customer 19 questions about personal expenses, such as whether Customer 19 spent money on gas or lunch. Based on these questions and statements made by St. Fonie Erilus, Customer 19 believed that these personal expenses were deductible.

115. In 2013, Customer 19 received wages totaling \$47,892. On the Schedule A attached to Customer 19’s 2013 tax return, St. Fonie Erilus reported fabricated deductions totaling \$40,101, thereby falsely reducing Customer 19’s taxable income to 0.

116. St. Fonie Erilus falsely reported that Customer 19 incurred \$31,614, over 66% of her wages, in unreimbursed employee business expenses. These phony expenses included a vehicle expense in the amount of \$18,386, based on Customer 19 purportedly driving a personal vehicle 32,542 miles for her job, and \$6,258 in meals and entertainment expenses. Also reported

as purported job-related expenses were a cell phone in the amount of \$2,576, dry cleaning in the amount of \$2,800, prescriptions in the amount of \$1,223, and uniforms in the amount of \$3,500. St. Fonie Erilus also falsely reported a \$1,200 expense for “Home repairs” and a \$200 expense for “Home appliance,” both personal, non-deductible expenses.

117. In 2014, Customer 19 received wages totaling \$49,579. On the Schedule A attached to Customer 19’s 2014 tax return, St. Fonie Erilus reported fabricated deductions totaling \$46,670, thereby falsely reducing Customer 19’s taxable income to 0.

118. On Customer 19’s 2014 tax return, St. Fonie Erilus falsely reported that Customer 19 incurred \$27,461, over 55% of her wages, in unreimbursed employee business expenses. This included fabricated expenses for a cell phone, dry cleaning, prescriptions, and uniforms in the *exact same amounts* as reported on Customer 19’s 2013 tax return. *See* ¶ 116, *supra*. St. Fonie Erilus also again falsely reported a \$1,801 expense for “Home repairs,” a \$1,698 expense for “Home appliance,” and a \$2,800 expense for “Furniture,” which were all personal, non-deductible expenses.

119. In 2015, Customer 19 received wages totaling \$48,252. On the Schedule A attached to Customer 19’s 2015 tax return, St. Fonie Erilus reported fabricated deductions totaling \$40,476, thereby falsely reducing Customer 19’s taxable income to 0.

120. On Customer 19’s 2015 tax return, St. Fonie Erilus falsely reported that Customer 19 incurred \$24,990, over 51% of her wages, in unreimbursed employee business expenses. This included fabricated expenses for a cell phone, dry cleaning, prescriptions, and uniforms in the *exact same amounts* as reported on Customer 19’s 2013 *and* 2014 tax returns. *See* ¶¶ 116 and 118, *supra*. St. Fonie Erilus also again falsely reported a \$1,500 expense for “Home repairs” and a \$4,000 expense for “Furniture,” which were both personal, non-deductible expenses.

121. All of the purported unreimbursed employee business expenses claimed on Customer 19's 2013, 2014, and 2015 are personal, not job-related, expenses. Customer 19 did not incur any job-related expenses, and if she had, the City of Tampa would have reimbursed her for any out-of-pocket expenses.

122. Additionally, St. Fonie Erilus claimed on the 2013, 2014, and 2015 tax returns that Customer 19 made cash charitable contributions in the amounts of \$6,375, \$6,375 (plus \$500 in non-cash contributions), and \$3,675 (plus \$350 in non-cash contributions), respectively. These claimed amounts were more than Customer 19 actually contributed to charity these years, and are not reflected in the bank statements that Customer 19 provided to St. Fonie Erilus.

123. As a result of these phony reported expenses, Customer 19's 2013, 2014, and 2015 tax returns claimed bogus refunds in the amounts of \$3,506, \$4,716, and \$4,270, respectively.

124. St. Fonie Erilus never reviewed the completed tax returns with Customer 19, and never told Customer 19 how much she was being charged to have the returns prepared. St. Fonie Erilus only told Customer 19 the amount of the refund that she would be receiving.

125. The IRS examined Customer 19's 2013, 2014, and 2015 tax returns, and determined that she owed \$4,960, \$5,073, and \$4,627, respectively, in tax, penalties, and interest.

Bogus Education Credits

126. The Defendants, and the tax return preparers acting at their direction or with their knowledge and consent, also claim bogus education expenses and falsely claim refundable education credits, including the American Opportunity education credit, on customers' federal income tax returns. Unlike many tax credits, a refundable tax credit entitles qualifying taxpayers to receive refunds even if they have no tax liability. The Defendants, and the tax return preparers

acting at their direction or with their knowledge and consent, claim false education credits on the tax returns of customers who did not attend college and had no qualifying education expenses, in order to reduce their customers' taxable income and generate a larger bogus refund.

Customer 20

127. For example, St. Fonie Erilus prepared the 2013 and 2014 federal income tax returns of Customer 20 of Tampa, Florida. Customer 20's 2013 tax return identifies the paid preparer's firm name as "Gerline Erilus LLC," with an address in Tampa, Florida.

128. Customer 20 attended school in 2013 and 2014. Customer 20 incurred education-related expenses of around \$100 in 2013, and did not incur any education-related expenses in 2014, as all of her expenses were covered by grants.

129. St. Fonie Erilus falsely reported on Customer 20's 2013 tax return that Customer 20 incurred education-related expenses in the amount of \$2,500, and claimed a bogus American Opportunity education credit in the amount of \$850. Similarly, on Customer 20's 2014 tax return, St. Fonie Erilus falsely reported that Customer 20 incurred education-related expenses in the amount of \$4,000, and claimed a bogus American Opportunity education credit in the amount of \$1,000. These fabricated education credits falsely increased the tax refunds claimed on Customer 20's 2013 and 2014 tax returns.

Unconscionable and Undisclosed Fees

130. The Defendants charge unconscionably high fees to prepare tax returns, which are typically charged without customers' knowledge. The Defendants charge these high fees to prepare and file false tax returns with unnecessary and bogus forms and schedules attached, when they should have honestly prepared a basic Form 1040 tax return.

131. The Defendants intentionally deceive customers regarding the fees charged for the preparation of tax returns. The Defendants do not disclose the full amount of the fee and, when having the customer sign forms showing the fee, cover the fee with a hand or a piece of paper and do not explain to the customer what the customer is signing.

132. The Defendants charge additional fees for each form and schedule (such as a Schedule C or a Form 8863 for an education credit) attached to the Form 1040 tax return. The Defendants charge separate fees for forms and schedules such as the electronic filing authorization (Form 8879) which is required for e-filing, the EITC qualifying child form (Schedule EIC), and the related EITC due diligence checklist (Form 8867), which must be completed in connection with a claim for the EITC. These fees result in a total tax return preparation fee much higher than the amount advertised.

133. The high fees charged (and the fee structure, which encourages the addition of unnecessary and often improper forms and schedules to the Form 1040) are a strong incentive for the Defendants to prepare and file false or fraudulent tax returns claiming excessive refunds based on bogus claims and associated forms and schedules.

134. Because the Defendants target low-income individuals, the high fees frequently can pose a significant financial hardship for customers. Customers may be required to pay back the improper refunds that they receive. Because the Defendants deduct their high fees directly from her customers' refunds, customers required to return these improper refunds to the government must also return the portion subtracted as fees. Thus, customers are then out-of-pocket the high fees that the Defendants charged. Additionally, fees are unconscionable for the basic – albeit fraudulent – tax returns being prepared for these customers, who are often eligible for free tax return preparation and electronic filing elsewhere.

135. The Defendants also routinely and intentionally fail to disclose to customers all fees charged. The Defendants present forms to customers to sign, including a form acknowledging the fees charged, without allowing the customer to closely review or understand the forms they are signing. Alternatively, the Defendants tell customers one amount for fees and then later increase the fees without the customers' knowledge or consent. Customers are often surprised to learn that the refund requested on their return is hundreds if not thousands of dollars more than the refund amount that they received after the fees were deducted.

136. The Defendants' fees are not paid by customers at the time of the preparation of their tax returns, but instead are subtracted from the customers' tax refund. By doing so, the Defendants are able to conceal from unsuspecting customers the actual amount that the customers pay to have their tax return prepared. Customers typically do not discover that the fees charged are much more than the customers anticipated for the preparation of their tax return until the customers receive a refund that is much less than quoted by the tax return preparer, after the Defendants subtracted their high fees.

137. The Defendants' practice of charging unconscionable and undisclosed fees interferes with the administration and enforcement of the Internal Revenue laws. Such behavior erodes consumer confidence in tax return preparers and dissuades taxpayers from seeking professional assistance with the preparation of their federal tax returns.

**Failure to Provide Customers with Copies of their Completed Tax Returns
in Violation of 26 U.S.C. § 6107(a)**

138. The Defendants fail to provide customers with copies of their completed tax returns. The completed tax return, filed with the IRS, shows the refund that the Defendants are claiming for the customer. For example, a customer who is provided a copy of a tax return showing the actual tax refund claimed is able to determine the amount of fees that the

Defendants charged by subtracting the amount of the refund that the customer actually receives from the amount of the refund claimed on the tax return. The Defendants' failure to provide a copy of a customer's completed tax return is part of the strategy to conceal the actual fees from her customers.

139. Failing to provide a customer with a copy of the completed tax return also violates 26 U.S.C. § 6107(a), which requires that a tax return preparer "shall furnish a completed copy of [a tax return or claim for refund] to the taxpayer not later than the time such return or claim is presented for such taxpayer's signature."

140. Customers who do receive a copy of the tax return often receive only the first two pages of the Form 1040, but not the other forms filed with the return, such as Forms Schedule C, Forms Schedule A, and Forms 2106, "Employee Business Expenses." This is because the Defendants make false claims on these forms and, to conceal the claims from customers, do not provide customers with copies of these completed forms.

**Failure to Identify the Actual Preparer of Customers' Tax Returns
in Violation of 26 U.S.C. §§ 6695(b) and 6695(c)**

141. The Defendants prepared tax returns for customers on which they did not identify themselves as the paid preparer. For example, Customers 11, 14, and 15, discussed above, identified St. Fonie Erilus as the preparer of their tax returns, despite St. Fonie Erilus not identifying herself as the paid preparer on the tax return.

142. Several tax returns prepared in 2013 reporting the Employer Identification Number of Gerline Erilus, also identify the EFINs registered to unrelated tax return preparers, including one in Tampa, Florida and one in Yakima, Washington.

143. A tax return preparer who fails to sign a tax return that he or she preparers violates 26 U.S.C. § 6695(b). A tax return preparer, or employer of a tax return preparer, who

fails to report an identifying number of the tax return preparer or the employer on a tax return that the preparer or an employee prepares, violates 26 U.S.C. § 6695(c).

144. Failing to identify themselves as the paid preparers on tax returns is part of the Defendants' attempts to conceal their tax return preparation activities from government investigators. For example, on January 29, 2016, the government deposed Gerline Erilus during its lawsuit against Walner Gachette. Gerline Erilus denied having prepared any tax returns for customers in 2015 or 2016. However, government records show that Gerline Erilus prepared and filed tax returns in January 2016, in the weeks prior to the deposition. Gerline Erilus, when interviewed by the IRS in March 2015 as part of its investigation, likewise informed the Revenue Agent that she was not preparing tax returns in 2015. Gerline Erilus, however, reported on her 2015 federal income tax return that she received income for preparing tax returns in 2015.

Failure to Maintain Records and Safeguard Sensitive Personally Identifiable Information

145. Tax return preparers are required to maintain a completed copy of each tax return that he or she prepared, or a list identifying the name and taxpayer identification number for each taxpayer for whom a tax return was prepared, for three years after the filing of the return. 26 U.S.C. § 6107(b).

146. The Defendants failed to properly maintain such records as required by 26 U.S.C. § 6107(b), and failed to safeguard sensitive personally identifiable information recorded on tax returns and supporting documentation that customers provided and that the Defendants retained.

147. Gerline Erilus stored records pertaining to her customers, including tax returns and other documentation containing sensitive personally identifiable information, in two storage lockers that she rented. Gerline Erilus failed to pay rent on the lockers, and the contents of the lockers were sold at auction in July 2014.

148. St. Fonie Erilus, after closing her tax preparation store in Clearwater in 2014, likewise placed the records for customers of that store in a storage locker in Tampa. St. Fonie Erilus did not pay the monthly fee for the storage locker, and lost her access to the locker. It is not known what happened to the customer records in that storage locker, or who subsequently took possession of these files.

149. The Defendants' failure to safeguard their customers' tax returns and other records, which contained social security numbers of the customers and their dependents, including minor children, undermines public confidence in tax preparers and interferes with the administration of the internal revenue laws. The Defendants' failure to take any action to safeguard and protect customer information also needlessly puts customers at risk of identity theft or misuse of sensitive personal and financial information.

Harm Caused by the Defendants

150. The Defendants' preparation of false and fraudulent tax returns at their tax return preparation stores, false and misleading statements directed to customers and potential customers, and culture favoring volume and ill-gotten profits over accuracy and integrity have harmed the public and the United States Treasury. These practices harm the public because the Defendants and many of their preparers prepare false or fraudulent tax returns that understate their customers' correct income tax liabilities and illegally cause customers to incorrectly report their federal tax liabilities and underpay their taxes.

151. Defendants' conduct (and that of their preparers) harms the United States Treasury by causing lost tax revenue.

152. During the IRS's investigation of the Defendants, the IRS examined at least 41 tax returns for tax years 2013, 2014, and 2015 prepared by Gerline Erilus or tax return preparers

at her business. The IRS made adjustments to 40 of those 41 tax returns, with a total tax deficiency of \$166,637, or an average tax deficiency of \$4,064 per examined return. The IRS examined at least 53 tax returns for tax years 2013, 2014, and 2015 prepared by St. Fonie Erilus or tax return preparers at her business. The IRS made adjustments to all 53 of those tax returns, with a total tax deficiency of \$214,315, or an average tax deficiency of \$4,044 per examined return.

153. The Defendants' customers have also been harmed because they relied on the Defendants and their tax preparation stores to prepare proper tax returns. Instead, customers' tax returns substantially understated their correct tax liabilities after paying unconscionably high fees to have their tax returns prepared. As a result, many customers, who are often low-income taxpayers, now face large income tax debts and may be liable for penalties and interest.

154. Customers are harmed by the unconscionably high and frequently undisclosed fees tied to anticipated tax refunds. These fees are subtracted from the erroneous refunds that result from the false or fraudulent tax return preparation perpetrated by the Defendants and their employees acting at their direction and with their knowledge and consent. When the IRS conducts audits or examinations of customers and seeks repayment of these erroneous refunds, the customers are liable for the repayment of those refunds. Not only do customers face the hardship associated with repayment of erroneous refunds resulting from the Defendants' greed at others' expense, but customers may also have to repay the portion of the refund that the Defendants subtracted in fees. Customers may also have to pay additional fees to other tax return preparers to file amended tax returns to correct the false or fraudulent tax returns prepared and filed by the Defendants, and their employees acting at their direction and with their knowledge and consent.

155. The Defendants' misconduct further harms the United States and the public by requiring the IRS to devote some of its resources to detecting her false claims on tax returns and assessing and collecting lost tax revenues from the Defendants' customers. Consequently, identifying and recovering all lost tax revenues resulting from the Defendants' activities may be impossible.

156. The Defendants' conduct also causes intangible harm to honest tax return preparers who unfairly lose business to the Defendants due to their willingness to break the law. Customers often have their returns prepared at the Defendants' tax preparation stores because they promise the maximum refund, and deliver by fabricating claims and deductions on customers' tax returns.

157. Finally, the Defendants' misconduct harms the public at large by undermining public confidence in the federal tax system and encouraging widespread violations of the internal revenue laws.

158. The harm to the government and the public will continue, and likely increase, unless the Defendants are enjoined because—given the seriousness and pervasiveness of their illegal conduct—without an injunction, the Defendants are likely to continue preparing false and fraudulent federal income tax returns for customers. An injunction will serve the public interest because it will put a stop to the Defendants' illegal conduct and the harm that it causes the United States and its citizens.

Count I
Injunction under 26 U.S.C. § 7407

159. Section 7407 of the Internal Revenue Code authorizes a district court to enjoin a tax return preparer from engaging in conduct subject to penalty under 26 U.S.C. § 6694 or § 6695. Additionally, if the court finds that a preparer has continually or repeatedly engaged in

such conduct, and the court further finds that a narrower injunction (i.e., prohibiting only that specific enumerated conduct) would not be sufficient to prevent that person's interference with the proper administration of the internal revenue laws, the court may enjoin the person from further acting as a tax return preparer. The prohibited conduct justifying an injunction includes, among other things, the following:

- a. Engaging in conduct subject to penalty under 26 U.S.C. § 6694(a), which penalizes a return preparer who prepares a return or claim for refund that contains an unreasonable position and the return preparer knew (or reasonably should have known) of the position;
- b. Engaging in conduct subject to penalty under 26 U.S.C. § 6694(b), which among other conduct, penalizes a return preparer who recklessly or intentionally disregards IRS rules or regulations;
- c. Engaging in conduct subject to penalty under 26 U.S.C. § 6695(g), which penalizes a return preparer who fails to comply with the statutory due diligence requirements;
- d. Guaranteeing the payment of any tax refund or the allowance of any tax credit; or
- e. Engaging in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws.

160. Section 7701(a)(36) of the Internal Revenue Code defines tax return preparer to include not only the individual who physically prepares a tax return for compensation, but also anyone "who employs one or more persons" to prepare tax returns for compensation.

161. Gerline Erilus and St. Fonie Erilus, as shown above in paragraphs 1 through 158, are tax return preparers who, individually and through their respective registered corporations, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, have repeatedly and continually prepared or submitted returns or portions of returns (or employed or managed others who prepared or submitted returns or portions of returns) that contain unreasonable positions and substantially understate the

liability for tax on the return. Gerline Erilus and St. Fonie Erilus also advise, instruct, direct, and cause their managers, preparers, and employees to engage in tax fraud, and to prepare federal income tax returns asserting unreasonable, unrealistic, frivolous and fraudulent positions. Accordingly, Gerline Erilus and St. Fonie Erilus knew (or should have known) of the unreasonable, unrealistic, frivolous and fraudulent positions.

162. Gerline Erilus and St. Fonie Erilus, and those acting in concert with them and at their direction, have continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6694 by preparing federal tax returns that understate their customers' liabilities based on unrealistic, frivolous and reckless positions. Gerline Erilus and St. Fonie Erilus, through the actions described above, also recklessly or intentionally disregard IRS rules or regulations.

163. Gerline Erilus and St. Fonie Erilus, and those acting in concert with them and at their direction, have continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6695. The Treasury regulations promulgated under 26 U.S.C. § 6695(g) prohibit a return preparer from claiming the EITC without first conducting proper due diligence and documenting his or her compliance with the due diligence requirements. *See* 26 C.F.R. § 1.6695-2 (2011). Not only do Gerline Erilus and St. Fonie Erilus fail to conduct proper due diligence or comply with the due diligence requirements, but they also advise, encourage, and cause their managers, preparers, and employees to circumvent the due diligence requirements and to ignore or disregard the information provided by customers.

164. Gerline Erilus' and St. Fonie Erilus' failure to comply with the due diligence requirements for the EITC violates Treasury Regulations and their willingness to falsify information to obtain the EITC for their customers shows a reckless and/or intentional disregard of IRS rules and regulations.

165. Gerline Erilus and St. Fonie Erilus, and those acting in concert with them and at their direction, have continually and repeatedly prepared federal income tax returns that claim the EITC for customers, where Gerline Erilus and St. Fonie Erilus, and those acting in concert with them and at their direction, have not conducted, let alone documented, the required due diligence procedures.

166. Gerline Erilus and St. Fonie Erilus fail to comply with 26 U.S.C. § 6695(a), which requires that a tax return preparer provide a copy of the completed tax return to the taxpayer.

167. Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC also fail to comply with 26 U.S.C. §§ 6695(b) and 6695(c), which require that a tax return preparer and a tax return preparation firm identify the actual paid preparer of the tax return, and the tax preparation firm, on all tax returns that the preparer and preparation firm prepare.

168. Gerline Erilus' and St. Fonie Erilus' continual and repeated violations of 26 U.S.C. §§ 6694 and 6695 fall within 26 U.S.C. § 7407(b)(1)(A), and thus are subject to an injunction under 26 U.S.C. § 7407.

169. Gerline Erilus' and St. Fonie Erilus' continual and repeated fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws falls within 26 U.S.C. § 7407(b)(1)(D), and thus is subject to an injunction under 26 U.S.C. § 7407.

170. Gerline Erilus and St. Fonie Erilus, and those acting in concert with them and at their direction, have continuously and repeatedly guaranteed refunds to customers and guaranteed the allowance of tax credits, including but not limited to the EITC. This conduct falls within 26 U.S.C. § 7407(b)(1)(C), and thus is subject to an injunction under 26 U.S.C. § 7407.

171. If Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC are not enjoined from all tax preparation, they and those acting in concert with them and at their direction are likely to continue to prepare and file false and fraudulent tax returns.

172. Gerline Erilus', St. Fonie Erilus', Gerline Erilus, LLC's, Elite Multi-Services Solutions, LLC's, St. Fonie Erilus, LLC's, and The Diversified Finance Solutions, LLC's continual and repeated conduct subject to an injunction under 26 U.S.C. § 7407, including their continual and repeated fabrication of expenses and deductions, is so flagrantly illegal and so egregious that it demonstrates that a narrow injunction prohibiting only specific conduct would be insufficient to prevent Gerline Erilus', St. Fonie Erilus', Gerline Erilus, LLC's, Elite Multi-Services Solutions, LLC's, St. Fonie Erilus, LLC's, and The Diversified Finance Solutions, LLC's interference with the proper administration of the internal revenue laws. Accordingly, Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC should be permanently barred from acting as federal tax return preparers, and from owning, operating, managing, investing in, controlling, licensing, franchising, or working for a tax return preparation business.

Count II
Injunction under 26 U.S.C. § 7408

173. Section 7408 of the Internal Revenue Code authorizes a district court to enjoin any person from engaging in conduct subject to penalty under either 26 U.S.C. § 6700 or § 6701 if injunctive relief is appropriate to prevent recurrence of such conduct.

174. Section 6701(a) of the Internal Revenue Code penalizes any person who aids or assists in, procures, or advises with respect to the preparation or presentation of a federal tax return, refund claim, or other document knowing (or having reason to believe) that it will be used

in connection with any material matter arising under the internal revenue laws and knowing that if it is so used it will result in an understatement of another person's tax liability. Under 26 U.S.C. § 6701(c)(1), the term "procures" includes "ordering (or otherwise causing) a subordinate to do an act," as well as "knowing of, and not attempting to prevent, participation by a subordinate in an act."

175. Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, through the actions detailed above in paragraphs 1 through 158, caused the presentation and preparation of false, fraudulent, and abusive tax returns and other documents. Gerline Erilus and St. Fonie Erilus prepare, assist, and/or advise with respect to the presentation and preparation of federal tax returns for customers that they know will understate their correct tax liabilities, because Gerline Erilus and St. Fonie Erilus knowingly prepare, assist, and/or advise with respect to the presentation and preparation of returns claiming bogus expenses and deductions. Gerline Erilus and St. Fonie Erilus procured and assisted the preparation of false and fraudulent tax returns by filing and encouraging the filing of tax returns they knew were false or fraudulent, and by employing, training, and supervising tax return preparers engaging in tax fraud. Gerline Erilus and St. Fonie Erilus have thus engaged in conduct subject to a penalty under 26 U.S.C. § 6701.

176. Gerline Erilus and St. Fonie Erilus are likely to continue violating the law absent an injunction. Tax return preparation is Gerline Erilus' and St. Fonie Erilus' primary source of revenue. To maximize that income, Gerline Erilus and St. Fonie Erilus prepare, and instruct and direct their managers and preparers to prepare, false or fraudulent returns. That conduct, in turn, gives Gerline Erilus and St. Fonie Erilus a competitive edge over law-abiding preparers. It also provides a means for Gerline Erilus and St. Fonie Erilus to further exploit their customers by

charging them unconscionably high fees, while Gerline Erilus' and St. Fonie Erilus' fraud simultaneously and callously exposes their customers to possible civil and criminal liability.

177. If the Court does not enjoin Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, they are likely to continue to engage in conduct subject to penalty under 26 U.S.C. § 6701. The preparation of tax returns claiming improper expenses and deductions by Gerline Erilus and St. Fonie Erilus, and those acting in concert with them and at their direction, is widespread over many customers and tax years. Injunctive relief is therefore appropriate under 26 U.S.C. § 7408.

Count III
Injunction under 26 U.S.C. § 7402(a)
Necessary to Enforce the Internal Revenue Laws

178. Section 7402 of the Internal Revenue Code authorizes a district court to issue injunctions as may be necessary or appropriate for the enforcement of the internal revenue laws.

179. Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, through the actions described above in paragraphs 1 through 158, including, but not limited to, intentionally understating their customers' tax liabilities and charging unconscionable and undisclosed fees for the preparation of federal tax returns that intentionally understate their customers' tax liabilities, have engaged in conduct that substantially interferes with the enforcement of the internal revenue laws.

180. Unless enjoined, Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, and those acting in concert with them and at their direction, are likely to continue to

engage in such improper conduct and interfere with the enforcement of the internal revenue laws. If Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC are not enjoined from engaging in fraudulent and deceptive conduct, the United States will suffer irreparable injury by providing federal income tax refunds to individuals not entitled to receive them.

181. While the United States will suffer irreparable injury if Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC are not enjoined, the Defendants will not be harmed by being compelled to obey the law.

182. Enjoining Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC is in the public interest because an injunction, backed by the Court's contempt powers if needed, will stop the Defendants' illegal conduct and the harm it causes the United States and the Defendants' customers.

183. The Court should impose injunctive relief under 26 U.S.C. § 7402(a).

Count IV
Disgorgement under 26 U.S.C. § 7402(a)
Necessary to Enforce the Internal Revenue Laws

184. Section 7402 of the Internal Revenue Code authorizes a district court to issue orders, judgments, and decrees as may be necessary or appropriate for the enforcement of the internal revenue laws.

185. Gerline Erilus', St. Fonie Erilus', Gerline Erilus, LLC's, Elite Multi-Services Solutions, LLC's, St. Fonie Erilus, LLC's, and The Diversified Finance Solutions, LLC's conduct, described above in paragraphs 1 through 158, substantially interferes with the

enforcement of the internal revenue laws and has caused the United States to issue tax refunds to individuals not entitled to receive them. Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC have unjustly profited at the expense of the United States by subtracting their exorbitant fees from those refunds.

186. Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC are not entitled to these ill-gotten gains. But for the Defendants' conduct, these bogus refunds would not have been issued.

187. The Court should enter an order under 26 U.S.C. § 7402(a) requiring Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC to disgorge to the United States the gross receipts (in the form of fees subtracted from customers' tax refunds) that Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC received for the preparation of federal tax returns making false and/or fraudulent claims.

WHEREFORE, the United States of America prays for the following:

A. That the Court find that Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC have continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. §§ 6694 and 6695, continually and repeatedly engaged in other fraudulent or deceptive conduct that substantially interferes with the administration of the tax laws, and that a narrower injunction prohibiting only this specific misconduct would be insufficient;

B. That the Court, pursuant to 26 U.S.C. § 7407, enter a permanent injunction prohibiting Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC from acting as federal tax return preparers;

C. That the Court find that Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC have engaged in conduct subject to penalty under 26 U.S.C. § 6701, and that injunctive relief under 26 U.S.C. § 7408 is appropriate to prevent a recurrence of that conduct;

D. That the Court find that Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC have engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief is appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity powers and 26 U.S.C. § 7402(a);

E. That the Court, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408, enter a permanent injunction prohibiting Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, and all those in active concert or participation with them, from:

- (1) acting as federal tax return preparers or requesting, assisting in, or directing the preparation or filing of federal tax returns, amended returns, or other related documents or forms for any person or entity other than themselves;
- (2) preparing or assisting in preparing federal tax returns that they know or reasonably should know would result in an understatement of tax liability or the overstatement of federal tax refund(s) as penalized by 26 U.S.C. § 6694;

- (3) owning, operating, managing, working in, investing in, providing capital or loans to, receiving fees or remuneration from, controlling, licensing, consulting with, or franchising a tax return preparation business;
- (4) training, instructing, teaching, and creating or providing cheat sheets, memoranda, directions, instructions, or manuals, pertaining to the preparation of federal tax returns;
- (5) maintaining, assigning, holding, using, or obtaining a Preparer Tax Identification Number (PTIN) or an Electronic Filing Identification Number (EFIN);
- (6) engaging in any other activity subject to penalty under 26 U.S.C. §§ 6694, 6695, 6701, or any other penalty provision in the Internal Revenue Code; and
- (7) engaging in any conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

F. That the Court, pursuant to 26 U.S.C. §§ 7402(a) and 7407, enter an order requiring Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC to immediately and permanently close, because of the pervasive fraud, all tax return preparation stores that they own directly or through any other entity, and whether those stores do business as New Millennium Solutions, Elite Multi-Services, Diversified Solutions, or under any other name;

G. That the Court, pursuant to 26 U.S.C. §§ 7402(a) and 7407, enter an order appointing a receiver to sell all of the hard assets, such as computers (after any and all taxpayer information has been removed), electronics, and furniture, for all tax return preparation stores that Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC own directly or through any other entity, and whether those stores do business as New Millennium Solutions, Elite Multi-Services, Diversified Solutions, or under any other name;

H. That the Court, pursuant to 26 U.S.C. § 7402(a), enter an order prohibiting Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, directly or through any other entity, from assigning, transferring, or selling any franchise agreement, independent contractor agreement, or employment contract related to Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, or any other tax return preparation business to which they or any entity under their control is a party;

I. That the Court, pursuant to 26 U.S.C. § 7402(a), enter an order barring Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, directly or through any other entity, from: (1) selling to any individual or entity a list of customers, or any other customer information, for whom Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC and any other business or name (including but not limited to New Millennium Solutions, Elite Multi-Services, and Diversified Solutions) through which they, or those acting at their direction, have at any time since 2013 prepared a tax return; (2) assigning, disseminating, providing, or giving to any current or former franchisee, General Sales Manager, District Sales Manager, manager, tax return preparer, employee, or independent contractor of Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, or any other business or entity through which Gerline Erilus and St. Fonie Erilus prepare tax returns or own or franchise a tax return preparation business, a list of customers or any other customer information for customers for whom Gerline Erilus, St. Fonie

Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, and any other business or name (including but not limited to New Millennium Solutions, Elite Multi-Services, and Diversified Solutions) through which Gerline Erilus and St. Fonie Erilus, or those acting at their direction, have at any time since 2013 prepared a tax return; and (3) selling to any individual or entity any proprietary information pertaining to Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, and any other business or name (including but not limited to New Millennium Solutions, Elite Multi-Services, and Diversified Solutions) through which Gerline Erilus and St. Fonie Erilus, or those acting at their direction, have at any time since 2013 prepared a tax return;

J. That the Court, pursuant to 26 U.S.C. § 7402, enter an order requiring Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC to disgorge to the United States the gross receipts (the amount of which is to be determined by the Court) that Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC received (in the form of fees subtracted from customers' tax refunds) for the preparation of tax returns that make or report grossly incompetent, negligent, reckless, and/or fraudulent claims, deductions, credits, income, expenses, or other information that results in the understatement of taxes, prepared since 2013 by Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, and at any tax preparation store franchised, owned, or managed by Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions,

LLC, including but not limited to New Millennium Solutions, Elite Multi-Services, and Diversified Solutions;

K. That the Court, pursuant to 26 U.S.C. §§ 7402(a) and 7407, enter an order requiring Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC to contact, within 30 days of the Court's order, by United States mail and, if an e-mail address is known, by e-mail, all persons for whom Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, and their managers, employees, and tax return preparers (including but not limited to those doing business under the names New Millennium Solutions, Elite Multi-Services, and Diversified Solutions) prepared federal tax returns or claims for a refund from 2013 and continuing through this litigation to inform them of the permanent injunction entered against them, including sending a copy of the order of permanent injunction but not enclosing any other documents or enclosures unless agreed to by counsel for the United States or approved by the Court;

L. That the Court, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408, enter an order requiring Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC to produce to counsel for the United States, within 30 days of the Court's order, a list that identifies by name, social security number, address, e-mail address, and telephone number and tax period(s) all persons for whom Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC, and their managers, employees, and tax return preparers (including but not limited to those doing business under the

names New Millennium Solutions, Elite Multi-Services, and Diversified Solutions) prepared federal tax returns or claims for a refund since 2013;

M. That the Court, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408, enter an order requiring Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC to produce to counsel for the United States, within 30 days of the Court's order, a list that identifies by name, address, e-mail address, and telephone number all principals, officers, managers, franchisees, employees, and independent contractors of Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC since 2013;

N. That the Court, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408, enter an injunction requiring Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC to provide a copy of the Court's order to all principals, officers, managers, franchisees, employees, and independent contractors of Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC within 15 days of the Court's order, and provide to counsel for the United States within 30 days a signed and dated acknowledgment of receipt of the Court's order for each person whom Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified Finance Solutions, LLC provided a copy of the Court's order;

O. That the Court retain jurisdiction over Gerline Erilus, St. Fonie Erilus, Gerline Erilus, LLC, Elite Multi-Services Solutions, LLC, St. Fonie Erilus, LLC, and The Diversified

Finance Solutions, LLC and over this action to enforce any permanent injunction entered against them;

P. That the United States be entitled to conduct discovery to monitor Gerline Erilus', St. Fonie Erilus', Gerline Erilus, LLC's, Elite Multi-Services Solutions, LLC's, St. Fonie Erilus, LLC's, and The Diversified Finance Solutions, LLC's compliance with the terms of any permanent injunction entered against them; and

Q. That the Court grant the United States such other and further relief, including costs, as is just and reasonable.

DATED: December 1, 2017

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